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Protect Georgia Utility Customers from Nuclear Cost Overruns

The Problem

In 2009, the Georgia General Assembly passed Senate Bill 31, the Georgia Nuclear Energy Financing Act. The bill authorized Georgia Power Company to collect its financing costs from ratepayers during the construction of Vogtle Nuclear Plants 3 & 4, rather than after Vogtle 3 & 4 begin providing power, as had been the previously established financing method. This pre-collection of finance costs, known as “Construction Work in Progress” or “CWIP,” represented an unprecedented departure from utility norms, and shifted the risks and cost burden of building new power plants to captive ratepayers. Georgia Power has been billing and collecting these financing costs from their ratepayers, along with its profits and income taxes through a Nuclear Construction Cost Recovery (NCCR) tariff since 2011. Ratepayers have already paid more than \$2 billion, nearly half of which is the Company’s profit. Nothing in the Nuclear Financing Act protects ratepayers from having paid these higher costs, and there is no provision that protects them going forward, even in the face of the ongoing construction delays expected to increase the revenues collected from ratepayers by \$14 billion. Even if the nuclear plants never go online, there is nothing that protects the ratepayers or allows them to recover their involuntary investment in the Georgia Power plants.

Construction at Vogtle 3 & 4 is now more than five years behind schedule, the cost has nearly doubled to \$23.4 billion, and yet Georgia Power will profit an additional \$5 billion from the mismanaged project. In a December 2017 vote, the Public Service Commission (PSC) failed to protect Georgia ratepayers from absorbing nearly all the impact of the delays and cost overruns.

PSC Staff estimated in its testimony that the Company would collect an additional \$5.2 billion in profit from the project delays alone. While the Company will lose \$500 million in profits under a prior agreement with Staff, a penalty the Company has called “severe”, this only prevents the Company’s overall profit from reaching \$13.1 billion versus \$12.6 billion. With the project now delayed by at least 5 years, PSC Staff estimates that the project is uneconomic for ratepayers by \$1.6 billion.

As the law currently stands, Georgia Power is allowed to apply CWIP accounting, pre-collect financing costs through NCCR tariff, and make Georgia citizens bear the risk and burden for Vogtle 3 & 4 as well as any future nuclear construction in the State.

The Opportunity

Considering these significant risks and cost burdens on Georgia consumers due to the Company’s performance, the 2018 General Assembly has the opportunity to protect citizens from future out of control nuclear construction costs. Senate Bill 355, introduced by Sen. Chuck Hufstetler (R-Rome), would amend the Georgia Nuclear Energy Financing Act to:



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- **Require Georgia Power to return to the Legislature for reauthorization to utilize the Construction Work in Progress (CWIP) accounting mechanism and the NCCR tariff for any future nuclear projects.** Simply put, such a provision would merely clarify that the current authorization for CWIP financing would apply only to nuclear plants currently under construction, and that Georgia Power must return to the Legislature to authorize using CWIP and the NCCR tariff for future projects.
- **Disallow Georgia Power from collecting the financing costs from public schools during construction.** This not only keeps money from tight school budgets going directly into the classroom rather than Georgia Power's profits, but also prevents residential Georgia Power customers from the double-whammy of paying their own tariff, as well their school board's tariff.
- **Stop Georgia Power from collecting the NCCR tariff from all customers past the date when Units 3 & 4 should have been placed into service.** Both units were originally scheduled for completion by March 2017. If this bill is enacted, tariff collections will stop when it becomes law.
- **Require Georgia Power to return all pre-collected financing costs to customers if the Vogtle 3 &4 project is cancelled or abandoned.** Should either or both of the nuclear units fail to reach commercial operation or should Georgia Power and the other owners cancel the project, the utility must refund all collected revenue to customers within five years.

Georgia Watch believes that these provisions provide fair and reasonable protections for captive ratepayers who will otherwise be stuck with paying for the prolific cost overruns in the construction of the Vogtle nuclear plants, over which they have no control. Most important, we believe that Georgia Power should not be able to **profit** on these delays and cost overruns – extra profit that PSC staff estimates will exceed \$5 billion dollars.

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